

## SUBCHAPTER D

### PARTS 540-541 [RESERVED]

### PART 542—MINIMUM INTERNAL CONTROL STANDARDS

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#### § 542.1 What does this part cover?

This part establishes the minimum internal control standards for gaming operations on Indian land.

#### § 542.2 What are the definitions for this part?

(a) The definitions in this section shall apply to all sections of this part unless otherwise noted.

(b) Definitions.

*Accountability* means all items of currency, chips, coins, tokens, receivables, and customer deposits constituting the total amount for which the bankroll custodian is responsible at a given time.

*Accumulated credit payout* means credit earned in a gaming machine that is paid to a customer manually in lieu of a machine payout.

*Actual hold percentage* means the percentage calculated by dividing the win by the drop or coin-in. Can be calculated for individual tables or slot machines, type of table games or slot machines on a per day or cumulative basis.

*Adjustment form* means a document used to describe and identify any change to player's account balance not generated directly by player gaming activity.

*AICPA* means the American Institute of Certified Public Accountants.

*Bank or bankroll* means the inventory of currency, coins, chips, checks, tokens, receivables, and customer deposits in the cage, pit area, gaming booths, and on the playing tables and cash in bank which is used to make change, pay winnings, bets, and pay gaming machine jackpots.

*Bank number* means a unique number assigned to identify a network of player terminals.

*Betting station* means the area designated in a race book that accepts and pays winning bets.

*Betting ticket* means a printed, serially numbered form used to record the event upon which a wager is made, the amount and date of the wager, and sometimes the line or spread (odds).

*Bill validator* (or currency acceptor) means a device that accepts and reads currency by denomination in order to accurately register customer credits at a gaming machine.

*Boxman* means the first-level supervisor who is responsible for directly participating in and supervising the operation and conduct of the craps game.

*Breakage* means the difference between actual bet amounts paid out by a race track to bettors and amounts won due to bet payments being rounded

up or down. For example a winning bet that should pay \$4.25 may be actually paid at \$4.20 due to rounding.

*Cage* means a secure work area within the gaming operation for cashiers and a storage area for the gaming operation bankroll.

*Cage accountability form* means an itemized list of the components that make up the cage accountability.

*Cage credit* means advances in the form of cash or gaming chips made to customers at the cage. Documented by the players signing an IOU or a marker similar to a counter check.

*Cage marker forms* means a document, usually signed by the customer evidencing an extension of credit at the cage to the customer by the gaming operation.

*Calibration module* means the section of a weigh scale used to set the scale to a specific amount or number of coins to be counted.

*Call bets* means a wager made without money or chips, reserved for a known patron and includes marked bets (which are supplemental bets made during a hand of play). For the purpose of settling a call bet, a hand of play in craps is defined as a natural winner (e.g., seven or eleven on the come-out roll), a natural loser (e.g., a two, three or twelve on the come-out roll), a seven-out, or the player making his point, whichever comes first.

*Card games* means a game in which the gaming operation is not party to wagers and from which the gaming operation receives compensation in the form of a rake-off, a time buy-in, or other fee or payment from a player for the privilege of playing.

*Card room bank* means the operating fund assigned to the card room or main card room bank.

*Cash-out ticket* means an instrument of value generated by a gaming machine representing a monetary amount owed to a customer at a specific gaming machine. This investment may be wagered at other machines by depositing the cash-out ticket in the machine document acceptor.

*Change ticket* means an instrument of value automatically generated when a cash-out ticket includes change that cannot be wagered on a \$1.00 and higher denomination machine. This instru-

ment may be wagered at a lower denomination machine by depositing it in the machine document acceptor.

*Chip tray* means container located on gaming tables where chips are stored that are used in the game.

*Chips* mean money substitutes, in various denominations, issued by a gaming establishment and used for wagering.

*Coin in meter* means the meter that displays the total amount wagered in a gaming machine which includes coins-in and credits played.

*Coin room inventory* means coins and tokens stored in the coin room that are generally used for gaming machine department operation.

*Coin room vault* means an area where coins and tokens used in the gaming machine department operation are stored.

*Complementaries or comps* means promotional allowances to customers.

*Count* means the total funds counted for a particular game, coin-operated gaming device, shift, or other period.

*Count room* means a room where the coin and cash drop from gaming machines, table games or other games are transported to and counted.

*Counter check* means a form provided by the gaming operation for the customer to use in lieu of a personal check.

*Credit* means the right granted by a gaming operation to a patron to defer payment of debt or to incur debt and defer its payment.

*Credit limit* means the maximum dollar amount of credit assigned to a customer by the gaming operation.

*Credit slip* means a form used to record either:

(1) The return of chips from a gaming table to the cage; or

(2) The transfer of IOUs, markers, or negotiable checks from a gaming table to a cage or bankroll.

*Currency acceptor (also known as a bill validator or bill changer)*, means the device that accepts and reads currency by denomination in order to accurately register customer credits at a gaming machine.

*Currency acceptor drop* means cash contained in currency acceptor drop boxes.

*Currency acceptor drop box, also known as a cash storage box*, means box attached to currency acceptors used to contain currency received by currency acceptors.

*Currency acceptor drop box release key* means the key used to release currency acceptor drop box from currency acceptor device.

*Currency acceptor drop storage rack key* means the key used to release currency acceptor drop boxes from the storage rack.

*Customer deposits* means the amounts placed with a cage cashier by customers for the customers' use at a future time.

*Deal-in pull tabs games* means the numerical sequence of all pull tabs in a specific pull tab game that are sold or available for sale to patrons.

*Dealer/boxman* means an employee who operates a game, individually or as a part of a crew, administering house rules and making payoffs.

*Deskman* means a person who authorizes payment of winning tickets and verifies pay-outs for keno games.

*Document acceptor* is the device integrated into each gaming machine that reads bar codes on coupons and cash-out tickets.

*Draw ticket* means a blank keno ticket whose numbers are punched out when balls are drawn for the game. Used to verify winning tickets.

*Drop box* means a locked container affixed to the gaming table into which the drop is placed. The game type, table number, and shift are indicated on the box.

*Drop box contents keys* means the key used to open drop boxes.

*Drop box release keys* means the key used to release drop boxes from tables.

*Drop box storage rack keys* means the key used to release drop boxes from the storage rack.

*Drop bucket* means a container located in the drop cabinet (or in a secured portion of the gaming machine in coinless/cashless configurations) for the purpose of collecting coins, tokens, cash-out tickets and coupons from the gaming machine.

*Drop cabinet* is the wooden or metal base of the gaming machine which contains the gaming machine drop bucket.

*Drop (for table games)* means the total amount of cash and chips contained in the drop box, plus the amount of credit issued at the table; *drop (for gaming machines)* means the total amount of money, cash-out tickets or coupons removed from the drop bucket or currency acceptor.

*Earned and unearned take* means race bets taken on present and future race events. *Earned take* means bets received on current or present events. *Unearned take* means bets taken on future race events.

*EPROM* means erasable programmable read-only memory.

*Fill* means a transaction whereby a supply of chips or coins and tokens is transferred from a bankroll to a table game, coin-operated gaming device, bingo or keno department.

*Fill slip* means a document evidencing a fill.

*Flare* means the information sheet provided by the manufacturer that sets forth the rules at a particular game of breakopen tickets and that is associated with a specific deal of breakopen tickets. The flare shall contain the following information:

- (1) Name of the game;
- (2) Manufacturer name or manufacturer's logo;
- (3) Ticket count; and
- (4) Prize structure, which shall include the number of winning breakopen tickets by denomination, with their respective winning symbols, numbers or both.

*Floor pars* means the sum of the theoretical hold percentages of all machines within a gaming machine denomination weighted by the coin-in contribution.

*Future wagers* means bets on races to be run in the future (e.g., Kentucky Derby).

*Game openers and closers* means the form used by gaming operation supervisory personnel to document the inventory of chips, coins and tokens on a table at the beginning and ending of a shift.

*Game server* means an electronic selection device, utilizing a random number generator.

*Gaming machine* means an electronic or electromechanical machine which contains a microprocessor with random

number generator capability which allows a player to play games of chance, some of which may be affected by skill, which machine is activated by the insertion of a coin, token or currency, or by the use of a credit, and which awards game credits, cash, tokens, or replays, or a written statement of the player's accumulated credits, which written statements are redeemable for cash.

*Gaming machine analysis report* means a report prepared that compares theoretical to actual hold by a gaming machine on a monthly or other periodic basis.

*Gaming machine bill-in meter* means a meter included on a gaming machine that accepts currency that tracks the number of bills put in the machine.

*Gaming machine booths and change banks* means a booth or small cage in the gaming machine area used to provide change to players, store change aprons and extra coin, and account for jackpot and other payouts.

*Gaming machine count* means the total amount of coins and tokens removed from a gaming machine drop bucket or bag. The amount counted is entered on the Gaming Machine Count Sheet and is considered the drop. Also, the procedure of counting the coins and tokens or the process of verifying gaming machine coin and token inventory.

*Gaming machine count team* means personnel that perform count of the gaming machine drop.

*Gaming machine credit-in meter* means a meter that records the amount wagered as a result of credits played.

*Gaming machine drop cabinet* means the stand that contains the drop bucket.

*Gaming machine fill* means the coins or tokens placed in a hopper.

*Gaming machine fill and payout sheet* means a list of the gaming machine fills and gaming machine payouts.

*Gaming machine game mix* means the type and number of games in a multiple game machine.

*Gaming machine hopper loads* means coins or tokens stored within a gaming machine used to make payments.

*Gaming machine monitoring system* means a system used by a gaming operation to monitor gaming machine

meter reading activity on an online basis.

*Gaming machine pay table* means the reel strip combinations illustrated on the face of the gaming machine that can identify payouts of designated coin amounts.

*Gaming machine weigh/count and wrap* means the comparison of the weighed gaming machine drop to counted and wrapped coin.

*Gaming operation accounts receivable (for gaming operation credit)* means credit extended to gaming operation patrons in the form of markers, returned checks or other credit instruments that have not been repaid.

*Gross gaming revenue* means annual total amount of money wagered on Class II and Class III games and admission fees (including table or card fees), less any amounts paid out as prizes or paid for prizes awarded.

*Hold* means the relationship of win to coin-in for gaming machines and win to drop for table games.

*Hub* means the person or entity that is licensed to provide the operator of a race book information related to horse racing which is used to determine winners of races or payoffs on wagers accepted by the race book.

*Inside ticket* means a keno ticket retained by the house, showing the customers' selection of numbers, amount wagered, and number of games wagered.

*Internal audit* means individuals who perform an audit function of a gaming operation that are independent of the department subject to audit. Independence is obtained through the organizational reporting relationship as the internal audit department shall not report to management of the gaming operation. Internal audit activities should be conducted in a manner that permits objective evaluation of areas examined. Results of audits are generally communicated to management. Audit exceptions generally require follow-up. Internal audit personnel may provide audit coverage to more than one operation within a tribe's gaming operation holdings.

*Issue slip* means a copy of a credit instrument that is retained for numerical sequence control purposes.

*Jackpot payout* means the portion of a jackpot paid by gaming machine personnel. The amount is usually determined as the difference between the total posted jackpot amount and the coins paid out by the machine. May also be the total amount of the jackpot.

*Jackpot payout slip* means a form on which the amount of a jackpot paid by gaming machine personnel is recorded.

*Keno locked box copy or restricted copy* means copies of Keno tickets that are created for written tickets that cannot be accessed by Keno personnel.

*Keno multi race or game ticket* means a keno ticket that is played in multiple games.

*Keno outstations* means areas other than the main keno area where bets may be placed and tickets paid.

*Lammer button* means a type of chip that is placed on a gaming table to indicate that the amount of chips designated thereon has been given to the customer for wagering on credit prior to completion of the credit instrument. Lammer button may also mean a type of chip used to evidence transfers between table banks and card room banks.

*Machine payout form* means a document used to log all progressive jackpots and amounts won greater than \$1,200.

*Main card room bank* means a fund of currency, coin, and chips used primarily for poker and pan card game areas. Used to make even money transfers between various games as needed. May be used similarly in other areas of the gaming operation.

*Marker* means a document, usually signed by the customer, evidencing an extension of credit to him by the gaming operation.

*Marker credit play* means that players are allowed to purchase chips using credit in the form of a marker.

*Marker inventory form* means a form maintained at table games or in the gaming operation pit that are used to track marker inventories at the individual table or pit.

*Marker issue slip* means the copy of an original marker that is inserted in the table drop box at the time credit is extended.

*Marker payment slip* means the copy of the original marker used to document customer marker payment transactions. The payment slip is inserted in the table drop box if the marker is paid in the pit or attached to the original marker until the marker is paid.

*Marker transfer form* means a form used to document transfers of markers from the pit to the cage.

*Master credit record* means a form to record the date, time, shift, game, table, amount of credit given, and the signatures or initials of the individuals extending the credit.

*Master game program number* means the game program number listed on a gaming machine EPROM.

*Master game report sheet* means a form used to record, by shift and day, each table game's winnings and losses. This form reflects the opening and closing table inventories, the fills and credits, and the drop and win.

*Mechanical coin counter* means a device used to count coins that may be used in addition to or in lieu of a coin weigh scale.

*Meter* means an electronic (soft) or mechanical (hard) apparatus in a gaming machine. May record the number of coins wagered, the number of coins dropped, the number of times the handle was pulled, or the number of coins paid out to winning players.

*Metered count machine* means a device used in a coin room to count coin.

*MICS* means minimum internal control standards.

*Multi-game machines* means a gaming machine that includes more than one type of game option.

*Name credit instruments* means personal checks, payroll checks, counter checks, hold checks, travelers checks or other similar instruments that are accepted in the pit as a form of credit issuance to a player.

*Order for credit* means a form that is used to request the transfer of chips or markers from a table to the cage. The order precedes the actual transfer transaction which is documented on a credit slip.

*Outs* means winning race book tickets that have not been paid at the end of a shift.

*Outside ticket* means a keno ticket given to a customer as a receipt, with

the customer's selection of numbers, number of games wagered, game numbers, and the amount wagered marked on the ticket.

*Par percentage* means the percentage of each dollar wagered that the house wins (i.e., gaming operation advantage).

*Par sheet* means a specification sheet for a gaming machine that provides machine hold percentage, model number, hit frequency, reel combination, number of reels, number of coins that can be accepted and reel strip listing.

*Pari-mutuel book* means a race book that accepts pari-mutuel wagers on horse races, jai-alai, greyhound and harness racing.

*Pari-mutuel wagering* means a system of wagering on horse races, jai-alai, greyhound and harness racing, where the winners divide the total amount wagered, net of commissions and operating expenses, proportionate to the individual amount wagered.

*Payment slip* means that part of a marker form on which customer payments are recorded.

*PIN* means personal identification number selected by player and used to access player's account.

*Pit podium* means stand located in the middle of the tables used as a work space and record storage area for gaming operation supervisory personnel.

*Pit repayment* means a customer's repayment of credit at a table.

*Pit supervisor* means the employee who supervises all games in a pit.

*Player tracking system* means a system typically used in gaming machine departments that can record the gaming machine play of individual patrons.

*Post time in pari-mutuel wagering* means the time when the track stops accepting bets in accordance with rules and regulations of the applicable jurisdiction.

*Primary and secondary jackpots* means promotional pools offered at certain card games that can be won in addition to the primary pot.

*Progressive gaming machine* means a gaming machine, with a payoff indicator, in which the payoff increases as it is played (i.e., deferred payout). The payoff amount is accumulated, displayed on a machine and will remain until a player lines up the jackpot

symbols that result in the progressive amount being paid.

*Progressive jackpots* means deferred payout from a progressive gaming machine.

*Progressive table game* means table games that offer progressive jackpots.

*Promotional payouts* are generally personal property or awards given to players by the gaming operation as an inducement to play. Promotions vary but a promotion example might be a program developed where a player receives a form of personal property based on the number of games or sessions played.

*Promotional progressive pots/pools* means funds contributed to a table game by and for the benefit of players. Funds are distributed to players based on a predetermined event.

*Proposition players* means a person paid a fixed sum by the gaming operation for the specific purpose of playing in a card game. A proposition player makes wagers with his own funds, retains his winnings, and absorbs his losses.

*Rabbit ears* means a device, generally V-shaped, that holds the numbered balls selected during a keno or bingo game so that the numbers are visible to players and employees.

*Rake* means a commission charged by the house for maintaining or dealing a game such as poker.

*Rake circle* means the area of a table where rake is placed.

*Random number generator* means a device that generates numbers in the absence of a pattern. May be used to determine numbers selected in various games such as keno and bingo. Also commonly used in gaming machines to generate game outcome.

*Reel symbols* means symbols listed on reel strips of gaming machines.

*Rim credit* means extensions of credit that are not evidenced by the immediate preparation of a marker and does not include call bets.

*Runner* means a gaming employee who transports chips/cash to and from a gaming table to a cashier.

*Screen Automated Machine or SAM* means an automated terminal used in some race books to accept wagers. SAM's also pay winning tickets in the

form of a voucher which is redeemable for cash at the race book.

*Shift* means any time period designated by management up to 24 hours.

*Shill or game starter* means an employee financed by the house and acting as a player for the purpose of starting or maintaining a sufficient number of players in a game.

*Short pay* means a payoff from a coin-operated gaming device that is less than the listed amount.

*Sleeper* means a winning keno ticket not presented for payment or a winning bet left on the table through a player's forgetfulness.

*Soft count* means the count of the contents in a drop box or currency acceptor.

*Table bank par* means the chip imprest amount at which a table bank is maintained.

*Table chip tray* means a container used to hold tokens, coins and chips at a gaming table.

*Table games* means games that are banked by the house or a pool whereby the house or the pool pays all winning bets and collects from all losing bets.

*Table inventory* means the total coins, chips, and markers at a table.

*Table opener and closer* means the document where chips and funds held at a table are recorded when a table inventory is taken. Also known as table inventory form.

*Take and total take* means the amount of a bet or bets taken in by a pari mutual race book.

*Terminal number* means a unique number assigned to identify a single player terminal in the gaming operation.

*Theoretical hold* means the intended hold percentage or win of an individual coin-operated gaming machine as computed by reference to its payout schedule and reel strip settings or EPROM.

*Theoretical hold worksheet* means a worksheet provided by the manufacturer for all gaming machines which indicate the theoretical percentages that the gaming machine should hold based on adequate levels of coin-in. The worksheet also indicates the reel strip settings, number of coins that may be played, the payout schedule, the number of reels and other informa-

tion descriptive of the particular type of gaming machine.

*Tier A* means gaming operations with annual gross gaming revenues of no more than \$3 million.

*Tier B* means gaming operations with annual gross gaming revenues of more than \$3 million but not more than \$10 million.

*Tier C* means gaming operations with annual gross gaming revenues of more than \$10 million.

*Tokens* means a coinlike money substitute, in various denominations, used for gambling transactions.

*Total take* means the total amount of funds bet by a customer on a specific race book ticket.

*Vault* means a secure area within the gaming operation where tokens, checks, currency, coins, and chips are stored.

*Weigh count* means the value of coins and currency counted by a weigh machine.

*Weigh scale calibration module* means the device used to adjust a coin weigh scale.

*Weigh scale interface* means a communication device between the weigh scale used to calculate the amount of funds included in drop buckets and the computer system used to record the weigh data.

*Weigh tape* means the tape where weighed coin is recorded.

*Wide area progressive gaming machine* means a progressive gaming machine that makes deferred payouts where individual machines are linked to machines in other operations and all the machines affect the progressive amount. As a coin is inserted into a single machine, the progressive meter on all of the linked machines increases.

*Win* means the net win resulting from all gaming activities. Net win results from deducting all gaming losses from all wins prior to considering associated operating expenses.

*Win to write hold percentage* means bingo or Keno win divided by write to determine hold percentage.

*Wrap* means the procedure of wrapping coins. May also refer to the total amount or value of the wrapped coins.

*Write* means the total amount wagered in keno, and race and sports book operations.

*Writer* means an employee who writes keno or race and sports book tickets. A keno writer usually also makes payouts.

*Writer machine* means a locked device used to prepare keno or race and sports book tickets.

**§ 542.3 How do I comply with this part?**

(a) Within six months of February 4, 1999, each tribe or its designated tribal governmental body or agency shall establish by regulation and implement tribal minimum internal control standards which shall:

(1) Be at least as stringent as those set forth in this part;

(2) Contain standards for currency transaction reporting that comply with 31 CFR part 103;

(3) Establish standards for games which are not addressed in this part; and

(4) Establish a deadline, which shall not exceed twelve months from February 4, 1999, by which a gaming operation must come into compliance with the tribal minimum internal control standards. However, the tribe may extend the deadline by an additional six months if:

(i) The tribe submits a written request to the Commission to extend the deadline no later than two weeks prior to the expiration of the initial six month period;

(ii) The request includes an explanation of why the gaming operation cannot come into compliance within the initial six month period; and

(iii) The tribe has not received written notification from the Commission denying the request within two weeks following submission of the request.

(5) All gaming operations that are operating on or before March 31, 1999, shall comply with this part within the time requirements established in this paragraph. All gaming operations which commence operations after March 31, 1999, shall comply with this part prior to commencement of operations.

(b) Tribal regulations promulgated pursuant to this section shall not be required to be submitted to the Commission pursuant to 25 CFR 522.3 (b).

(c) Each gaming operation shall develop and implement an internal control system that, at a minimum, complies with the tribal minimum internal control standards.

(d) The independent certified public accountant (CPA) shall perform procedures to verify that the gaming operation's internal control system (ICS) is in substantial compliance with the tribal MICS by comparing the gaming operation's ICS to the tribal MICS. The CPA shall also perform procedures to verify, on a test basis, that the gaming operation has implemented and is in substantial compliance with its ICS. The procedures may be performed in conjunction with the annual audit. The CPA shall prepare a report of the findings for the tribe and management. The tribe shall submit a copy of the report to the Commission within 120 days of the gaming operation's fiscal year end.

**§ 542.4 How do these regulations affect minimum internal control standards established in a Tribal-State compact?**

(a) If an internal control standard or a requirement set forth in this part is more stringent than an internal control standard established in a Tribal-State compact, then the internal control standard or requirement set forth in this part shall prevail. If a standard in a Tribal-State compact is more stringent than a standard set forth in this part, then the Tribal-State compact standard shall prevail.

(b) If there is a direct conflict between an internal control standard established in a Tribal-State compact and a standard or requirement set forth in this part, then the internal control standard established in a Tribal-State compact shall prevail.

(c) Nothing in this part shall grant to a state jurisdiction in class II gaming or extend a state's jurisdiction in class III gaming.

**§ 542.5 What are the minimum internal control standards for bingo?**

(a) Game play standards. (1) The functions of seller and payout verifier shall be segregated. Employees who sell cards on the floor shall not verify payouts with cards in their possession.